

Message Text

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ACTION EUR-12

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FM AMEMBASSY OTTAWA

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E.O. 11652: N/A

TAGS: ECON, CA

SUBJ: MODEST RISE IN FEBRUARY CPI

REF: OTTAWA 585

Q. STATISTICS CANADA RELEASED ON MARCH 11 FEBRUARY CONSUMER PRICE INDEX SHOWING MODEST RISE OF 0.3 PERCENT FROM JANUARY. ALL ITEMS INDEX (NOT SEASONALLY ADJUSTED) WAS 145.1 IN JANUARY AND 145.6 IN FEBRUARY (1971 - 100). FOOD INDEX DECLINED BY 0.3 PERCENT (FROM 166.8 TO 166.3) AND ALL ITEMS INDEX EXCLUDING FOOD ROSE BY 0.7 PERCENT (FROM 137.5 TO 138.4).

2. STATCAN ATTRIBUTED FEBRUARY RISE IN CPI MAINLY TO HIGHER CHARGES FOR ACCOMMODATION AND INCREASED PRICES FOR CLOTHING AND TRANSPORTATION.

3. FOOD INDEX DECLINED FOR THIRD SUCCESSIVE MONTH, WITH BEEF PRICES DROPPING BY ALMOST 5.0 PERCENT AND PORK PRICES DOWN BY ALMOST 1.0 PERCENT. STATCAN REPORTED THAT FOOD INDEX FOR FEBRUARY SHOWED LOWEST YEAR-TO-YEAR MOVEMENT IN NEARLY FOUR YEARS AND WAS 6.5 PERCENT ABOVE LEVEL OF 12 MONTHS AGO.

4. OTHER INDICES MAKING UP CPI WERE HOUSING (UP 0.8 PERCENT, FROM 142.1 TO 143.3), CLOTHING (UP 0.7 PERCENT, FROM 128.0 TO 128.9), TRANSPORTATION (UP 0.4 PERCENT, UNCLASSIFIED

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FROM 138.4 TO 139.0), HEALTH AND PERSONAL CARE (UP 1.2

PERCENT, FROM 139.1 TO 140.7), RECREATION, EDUCATION AND READING (UP 0.3 PERCENT, FROM 132.6 TO 133.0), AND TOBACCO AND ALCOHOL (UP 0.2 PERCENT, FROM 128.3 TO 128.5).

5. ON SEASONALLY ADJUSTED BASIS, CPO ROSE 0.3 PERCENT, FOOD INDEX REGISTERED 0.8 PERCENT DECLINE AND ALL ITEMS EXCLUDING FOOD INDEX ROSE 0.7 PERCENT.

6. IN FEBRUARY, CURRENT ANNUAL RATE OF CHANGE IN CPI, BASED ON SEASONALLY ADJUSTED MOVEMENT SINCE THREE MONTHS EARLIER, WAS ONLY 4-5 PERCENT, COMPARED WITH 7.2 PERCENT IN JANUARY AND 10.0 PERCENT LAST DECEMBER.

7. COMMENT: LATEST STATCAN CPI FIGURES SHOULD BE WELCOME NEWS TO GOC PLANNERS OF ANTI-INFLATION PROGRAM. HOWEVER, JEAN LUC PEPIN, CHAIRMAN OF ANTI-INFLATION BOARD, WARNED AN AUDIENCE MARCH 10 THAT PRICES WOULD RISE IN MONTHS AHEAD AS BUSINESSES BECOME MORE FAMILIAR WITH AIB REGULATIONS AND KNEW WHAT INCREASED COSTS COULD BE PASSED THROUGH TO CONSUMER. ALSO, RECENT RISE IN INTEREST RATES TRIGGERED BY RECENT INCREASE IN BANK OF CANADA BANK RATE PLUS EXPECTED INCREASE IN DOMESTIC OIL PRICES LATER THIS YEAR SHOULD PLACE UPWARD PRESSURE ON CPI.

ENDERS

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